



# House of Representatives

General Assembly

**File No. 456**

*January Session, 2007*

House Bill No. 7036

*House of Representatives, April 11, 2007*

The Committee on Government Administration and Elections reported through REP. CARUSO of the 126th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT ELIMINATING THE STANDARD WAGE CONTRACT THRESHOLD.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 31-57f of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3 (a) As used in this section: (1) "Required employer" means any  
4 provider of food, building, property or equipment services or  
5 maintenance listed in this subdivision whose rate of reimbursement or  
6 compensation is determined by contract or agreement with the state or  
7 any state agent: (A) Building, property or equipment service  
8 companies; (B) management companies providing property  
9 management services; and (C) companies providing food preparation  
10 or service, or both; (2) "state agent" means any state official, state  
11 employee or other person authorized to enter into a contract or  
12 agreement on behalf of the state; (3) "person" means one or more  
13 individuals, partnerships, associations, corporations, business trusts,

14 legal representatives or organized groups of persons; and (4) "building,  
15 property or equipment service" means any janitorial, cleaning,  
16 maintenance or related service.

17 (b) On and after July 1, 2000, the wages paid on an hourly basis to  
18 any employee of a required employer in the provision of food,  
19 building, property or equipment services provided to the state  
20 pursuant to a contract or agreement with the state or any state agent,  
21 shall be at a rate not less than the standard rate determined by the  
22 Labor Commissioner pursuant to subsection (g) of this section.

23 (c) Any required employer or agent of such employer that violates  
24 subsection (b) of this section shall pay a civil penalty in an amount not  
25 less than two thousand five hundred dollars but not more than five  
26 thousand dollars for each offense. The contracting department of the  
27 state that has imposed such civil penalty on the required employer or  
28 agent of such employer shall, within two days after taking such action,  
29 notify the Labor Commissioner, in writing, of the name of the  
30 employer or agent involved, the violations involved and steps taken to  
31 collect the fine.

32 (d) The Labor Commissioner may make complaint to the proper  
33 prosecuting authorities for the violation of any provision of subsection  
34 (b) of this section.

35 (e) For the purpose of predetermining the standard rate of covered  
36 wages on an hourly basis, the Labor Commissioner shall establish  
37 classifications for all hourly nonsupervisory employees based on the  
38 applicable occupation codes and titles set forth in the federal Register  
39 of Wage Determinations under the Service Contract Act of 1965, 41  
40 USC 351, et seq. The Labor Commissioner shall then determine the  
41 standard rate of wages for each classification of hourly nonsupervisory  
42 employees which shall be equivalent to the minimum hourly wages set  
43 forth in the federal Register of Wage Determinations under the Service  
44 Contract Act, plus a thirty per cent surcharge to cover the cost of any  
45 health, welfare and retirement plans or, if no such plan is in effect  
46 between the employees and the employer, an amount equal to thirty

47 per cent of the hourly wage which shall be paid directly to the  
48 employees.

49 (f) Required employers with employees covered by collective  
50 bargaining agreements which call for wages and benefits that are  
51 reasonably related to the standard rate shall not be economically  
52 disadvantaged in the bidding process, provided the collective  
53 bargaining agreement was arrived at through arms-length  
54 negotiations.

55 (g) The Labor Commissioner shall, in accordance with subsection (e)  
56 of this section, determine the standard rate of wages for each  
57 classification on an hourly basis where any covered services are to be  
58 provided, and the state agent empowered to let such contract shall  
59 contact the Labor Commissioner at least ten days prior to the date such  
60 contract will be advertised for bid, to ascertain the standard rate of  
61 wages and shall include the standard rate of wages on an hourly basis  
62 for all classifications of employment in the proposal for the contract.  
63 The standard rate of wages on an hourly basis shall, at all times, be  
64 considered the minimum rate for the classification for which it was  
65 established.

66 (h) Each required employer subject to the provisions of this section  
67 shall (1) keep, maintain and preserve such records relating to the  
68 wages and hours worked by each employee and a schedule of the  
69 occupation or work classification at which each person is employed  
70 during each work day and week in such manner and form as the Labor  
71 Commissioner establishes to assure the proper payments due to such  
72 employees, and (2) upon written request, submit to the contracting  
73 state agent a certified payroll which shall consist of a complete copy of  
74 such records accompanied by a statement signed by the employer  
75 which indicates that (A) such records are correct, (B) the rate of wages  
76 paid to each employee is not less than the standard rate of wages  
77 required by this section, (C) such employer has complied with the  
78 provisions of this section, and (D) such employer is aware that filing a  
79 certified payroll which it knows to be false is a class D felony for which

80 such employer may be fined not more than five thousand dollars or  
81 imprisoned not more than five years, or both. Notwithstanding the  
82 provisions of section 1-210, the certified payroll shall be considered a  
83 public record and every person shall have the right to inspect and copy  
84 such record in accordance with the provisions of section 1-212. The  
85 provisions of subsections (a) and (b) of section 31-59, section 31-66 and  
86 section 31-69 which are not inconsistent with the provisions of this  
87 section shall apply. Any person who files a false certified payroll in  
88 violation of subdivision (2) of this subsection shall be guilty of a class  
89 D felony for which such person may be fined not more than five  
90 thousand dollars or imprisoned not more than five years, or both.

91 [(i) This section shall not apply to contracts, agreements or grants  
92 which do not exceed forty-nine thousand nine hundred ninety-nine  
93 dollars per annum.]

94 [(j)] (i) On receipt of a complaint for nonpayment of the standard  
95 rate of wages, the Labor Commissioner, the Director of Wage and  
96 Workplace Standards and wage enforcement agents of the Labor  
97 Department shall have power to enter, during usual business hours,  
98 the place of business or employment of any employer to determine  
99 compliance with this section, and for such purpose may examine  
100 payroll and other records and interview employees, call hearings,  
101 administer oaths, take testimony under oath and take depositions in  
102 the manner provided by sections 52-148a to 52-148e, inclusive. The  
103 commissioner or the director, for such purpose, may issue subpoenas  
104 for the attendance of witnesses and the production of books and  
105 records. Any required employer, an officer or agent of such employer,  
106 or the officer or agent of any corporation, firm or partnership who  
107 wilfully fails to furnish time and wage records as required by law to  
108 the commissioner, the director or any wage enforcement agent upon  
109 request or who refuses to admit the commissioner, the director or such  
110 agent to a place of employment or who hinders or delays the  
111 commissioner, the director or such agent in the performance of any  
112 duties in the enforcement of this section shall be fined not less than  
113 twenty-five dollars nor more than one hundred dollars, and each day

114 of such failure to furnish time and wage records to the commissioner,  
 115 the director or such agent shall constitute a separate offense, and each  
 116 day of refusal of admittance, of hindering or of delaying the  
 117 commissioner, the director or such agent shall constitute a separate  
 118 offense.

119 [(k) Notwithstanding subsection (i) of this section, any employer  
 120 that pays the state for a franchise to provide food preparation or  
 121 service, or both, for the state shall be required to certify that the wages  
 122 and benefits paid to its employees are not less than the standard rate  
 123 established pursuant to this section.]

124 [(l)] (j) The Labor Commissioner may adopt regulations, in  
 125 accordance with chapter 54, to carry out the provisions of this section.

126 [(m)] (k) The provisions of this section and any regulation adopted  
 127 pursuant to subsection [(l)] (j) of this section shall not apply to any  
 128 contract or agreement entered into before July 1, 2000.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2007	31-57f

**LAB** Joint Favorable C/R

GAE

**GAE** Joint Favorable

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Various State Agencies	All Funds - Cost	Significant	Significant

**Municipal Impact:** None

#### **Explanation**

The bill eliminates the \$49,999 contract threshold that triggers the standard wage law, thus making the standard wage law applicable to certain service contracts<sup>1</sup> of any dollar amount. The labor commissioner establishes the standard rate of wages for service contract employees. This hourly rate plus a 30% surcharge to cover the cost of any health and retirement benefits is the minimum service workers must be paid. Extending the standard wage law to all service contracts will significantly increase future service contract costs to the state.

The Department of Administrative Services (DAS) handles the awarding of service contracts for the majority of executive branch agencies. DAS currently oversees approximately 159 active statewide service contracts under \$50,000, with a total contract value of \$3.4 million (over the term of the contracts). Additionally, various state agencies contract for services under \$50,000 independently.

Under the bill, all employees working for businesses that have service contracts with the state would have to be paid at least the standard wage rate, plus the 30% benefit surcharge. To the extent that vendors would have to increase employee wages and benefits to the

<sup>1</sup> For example: trash hauling, food service, laundry, dry cleaning, pest control, janitorial, landscaping, and building maintenance.

standard wage rate, those costs would most likely be passed on to the state in the form of higher future service contract costs. This will significantly increase the costs to the state to contract out these services.

***The Out Years***

Costs to the state would increase in future years as current service contracts under \$50,000 expire (most are 3 year contracts) and must be put out for bid subject to the standard wage rate.

**OLR Bill Analysis****HB 7036*****AN ACT ELIMINATING THE STANDARD WAGE CONTRACT THRESHOLD.*****SUMMARY:**

This bill eliminates the \$49,999 contract threshold that triggers the standard wage law, thus making the law applicable to a contract of any dollar amount. The standard wage law requires businesses that contract with the state or its agents to provide building, food, property, or equipment services or maintenance to pay their employees at least the standard wage rates determined by the labor commissioner.

EFFECTIVE DATE: October 1, 2007

**BACKGROUND*****Standard Wage Law***

Under this law, the Labor Department sets the hourly rate for all job classes based on those identified in the Federal Register of Wage Determinations under the Federal Service Contract Act, plus a 30% surcharge to represent the cost of health and retirement benefits.

It also:

1. prescribes how contracting agents inform potential bidders of standard wage rates to be met in preparing a contract proposal;
2. requires covered employers to maintain records of each employee's wages, hours, and classification and to make these records available to the contracting agent;
3. establishes penalties for filing a false certified payroll and fines for failing to pay the required rate; and



4. authorizes the department to investigate complaints and enforce the law.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Change of Reference

Yea 8 Nay 1 (03/01/2007)

Government Administration and Elections Committee

Joint Favorable

Yea 9 Nay 4 (03/28/2007)